

**Opening Statement of
the Honorable Larry Craig, Senator from Idaho,
& Chairman, U.S. Senate Special Committee on Aging**

**Hearing on “*Tax Fairness: Does Double Taxation
Unfairly Target Older Americans?*”**

February 4, 2003

Good morning. Today's hearing will focus on the issue of double taxation. We hope to learn whether it unfairly targets older Americans.

We are pleased to have some of the nation's top economic experts testify on what impact double taxation has on our senior citizens, with a particular eye on the President's tax relief plan. I look forward to their testimony.

When you study the tax code, it becomes apparent older Americans—both working and retired—are subject to double taxation more than most other age groups. The question we hope to explore today is whether the rhetoric about “tax cuts for the rich,” is really about “tax relief and fairness for our seniors.”

Older Americans are more likely to hold investments in assets that pay dividends than other age groups. Millions of seniors, many on fixed incomes, rely on dividend income to make ends meet from month to month. The PIE chart to my left, your right, shows that 52% of seniors receive taxable dividends.

The Cato Institute recently published data from the Organization for Economic Cooperation and Development showing dividends and corporate tax rates around the world. The BAR chart to my left, your right, is a summary of the Organization for Economic Cooperation and Development data. The U.S. has the second highest combined federal, state, and local dividend tax rate in the world. The chart begs the question “Why would any company pay a dividend under these stifling tax rates?” We hope to hear from our witnesses on this question.

Older Americans are also subject to double taxation by the federal government in the form of the death tax and the taxation of Social Security benefits.

The death tax has forced the breakup of family farms and the sell-off of small businesses in order to pay the government after a death. It is unfair to tax a person's savings and earnings twice while they are alive. But it is immoral to tax those life savings again when a person dies.

Today's seniors already paid income taxes on their payroll taxes when they worked. And now, a growing number of modest and middle-income seniors must pay income taxes again on already taxed Social Security benefits. For many seniors, 85 percent of their Social Security benefits are taxed. This tax is a disincentive for seniors who want to work.

I am looking forward to the testimony from the Chairman of the President's Council of Economic Advisors, Glenn Hubbard and also from Hilary Kramer of Montgomery Asset Management, a regular business expert appearing on Fox News on our first panel.

On our second panel, will be Dick Buxton, one of my constituents who will describe the impact of double taxation on his family in Idaho. Also testifying are Dr. Dan Mitchell, a tax reform expert from the Heritage Foundation and Dr. Mark Crain, professor of economics at George Mason University and a Trustee for the Virginia Retirement System.

We look forward to learning more about these issues from our panel of witnesses. I want to wish you all a warm welcome to the Aging Committee.